



Armed Forces Retirement Home

**Office of the Inspector General
FY 2010 Annual Report
to the Committee on Homeland Security and
Governmental Affairs of the Senate**

October 31, 2010



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**Office of the Inspector General
FY 2010 Annual Report
to the Committee on Armed Services of the
House of Representatives**

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**Office of the Inspector General
FY 2010 Annual Report
to the Office of Management and Budget**

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**Office of the Inspector General
FY 2010 Annual Report
to the Committee on Oversight and Government
Reform of the House of Representatives**

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Message from the Inspector

I am pleased to congratulate the AFRH on the completion of its new Gulfport facility, the development of its finalized Washington Scott Project Plan, and the migration of its of Desktop Support and Hosted Applications services to the National Business Center (NBC). These major efforts are evidence of the AFRH's commitment to improving upon its processes and programs to maintain the operations at each campus and the solvency of the Trust Fund. Another example of the AFRH's goal and intent to provide exemplary services to its current resident population and the next generation of veterans to enjoy the highest level quality of life benefits that the Home has to offer.

The AFRH has a very unique mission within the federal government, and sets itself apart from other agencies through its vision and guiding principles. This is explained as follows:

Vision:

To actively nurture the Health and Wellness Philosophy of Aging while providing our nation's heroes with a continuum of Life Care Services in a community setting.

Mission:

To fulfill our nation's commitment to its Veterans by providing a premier retirement community with exceptional residential care and extensive support services.

Guiding Principles:

- **Establish Accountability**

We expect our workforce to achieve what we promise to our residents, staff and service partners. To ensure success, we measure progress and provide feedback to our customers.

- **Inspire Excellence**

We continuously work to improve our processes, services and delivery while striving for excellence in all we do. We expect excellence and reward it.

- **Maintain Integrity**

We will strongly uphold the mission of AFRH. We are honest and ethical and deliver on our commitments. We recognize that good ethical decisions require individual responsibility enriched by collaborative efforts.

- **Honor Heritage**

We honor the rich history of the US Armed Forces - from its heroes and Veterans, to its victories and defeats. As such, our campus reflects that military history.

- **Maximize Workforce**

We strive to hire and retain the most qualified people available - while maximizing their opportunities for success through training and development. We pledge to maintain a safe work environment, support diversity and promote open communication.

- **Serve Customers**

Success depends on our devotion to consistently serve ever-changing customer preferences. Hence, we vow to be innovative and responsive - while offering exceptional products and services at competitive prices.

Given that the AFRH's mission is to provide direct human services to a very unique population, inspections of our programs and services are critical in helping us to sustain the highest quality of care and support possible for the heroes that we serve.

Desktop Support & Hosted Applications: At the beginning of Fiscal Year 2010, the AFRH contracted with the National Business Center (NBC) to provide hosting and Information Technology Infrastructure Management for its IT environment. NBC has provided automated administrative services to Federal clients for over 20 years and is an ISO 9001 Certified Shared Service provider. This migration affords the AFRH to secure all of its applications under a FISMA compliant environment and includes backup data center support to insure a quick recovery in the event of a natural disaster. The migration was completed in the 4th quarter of Fiscal Year 2010.

Washington Scott Project: In the President's Budget for Fiscal Year 2009, AFRH was highlighted under "Strengthening Infrastructure for the 21st Century" by improving housing for retired veterans and design funding the Scott Project. Through a study appropriated by Congress during 2008, insight into a lengthy and complex process was undertaken to anticipate and plan for the future. Through many internal meetings with staff and stakeholders, and additional discussions with residents the AFRH has finalized its plan to embark upon the renovation of its largest dormitory at the Washington facility. Building design plans have been developed along with additional renovations plans necessary to support the transition during the construction phase to the final completion of the new building. In FY10, AFRH Scott Project design concept was approved, and is on-track for construction in 2011.

Gulfport Stand-up: The AFRH-Gulfport stand-up was a great success, as the AFRH community put its heart and soul into this project. Conceptual designs were agreed upon

by staff, residents, and contractors. Ceremonies marked the demolition, groundbreaking, and final construction. The community was able to follow its progress from two-dimensional concept to reality over a two-year period. Meanwhile, website and newspaper coverage kept spirits high and stakeholders informed. And monthly focus groups provided insight to resident preferences and helped create smart procedures to move them back to Gulfport. All told, the confluence of ideas and efforts has energized AFRH as never before. Through two public Laws (PL 109-148 and 109-148) Congress authorized approximately \$240 million for the rebuild of the Gulfport home. The construction began in January 2008 and was completed in the last quarter of Fiscal Year 2010. Residents began returning to the facility in October 2010. Maximum capacity expected will be 582 residents.

Also the AFRH's new Independent Living Plus program (ILP) is growing and assisting more residents to remain independent. The FY10 performance challenges centered on our Strategic Human Capital Plan, the succession plan, staffing models, military heritage, staff training, and cost containment. In "Performance" AFRH demonstrated a tremendous amount success in these areas.

PRIORITIES

The agency now has two campuses with business models that mirror one another. So, residents who move from one community to another will see and feel no differences as they will receive the same care and services at either facility. Fiscally, AFRH received its 6th annual "unqualified" audit opinion, and the Trust Fund balance continues to maintain high levels in 2010. The AFRH also transformed its information systems, partnering with National Business Center (NBC) to provide a hosted network that is compliant with the Federal Information Security Management Act of 2002 (FISMA). The assessments that the AFRH underwent in 2010 offered suggestions and ideas, yet they culminated with praise for the agency's resident care staff. AFRH responded to the oversight of the Office of Personnel Management (OPM), the AFRH Advisory Board, the Department of Defense (DoD) Inspector General (IG), and the Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission (CARF/CCAC).

The following challenges have been provided to the AFRH management by the AFRH IG for FY11:

Performance Challenges

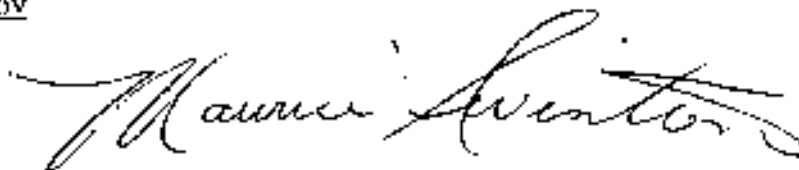
- **Implement Scott Project Plan Construction**
 - Manage the supporting construction efforts and the relocation of programs and services to ensure that residents do not experience in degradation of services during the construction for the Scott Project.
- **Implement Independent Living Plus Program**
 - AFRH must implement the ILP program at both facilities (Gulfport & Washington) while educating staff on the new policies and residents on the program's benefits.

- Implement Human Capital Succession Plan
 - AFRH must complete the development of the plan and implement the procedures while educating staff on the new policies.
- Implement e-Records/e-Health Records Systems
 - AFRH must research, select and secure electronic Records/Health Records system(s) to support both facilities (Gulfport & Washington).
- Expand visibility of military heritage
 - AFRH should ensure that displays of military heritage are implemented throughout the Gulfport facility.
- Adhere to timelines and participate in annual mandatory training
 - AFRH management must continue to enforce attendance for its employees for the mandatory training classes outlined by the agency. Tighter constraints and measures must be taken to ensure that employees participate in the mandatory training classes and that participation is timely.
- Financial Management of operating costs and expenditures
 - AFRH management must continue to streamline costs at the Washington campus and seek to bring spending parity between the two campuses (Gulfport & Washington, in as much as possible to ensure that long-range financial goals are met.

Sustaining the progress that has been made by the AFRH through its initiatives and programs is imperative; the AFRH IG will continue to monitor the outcomes of the areas identified.

Please feel free to contact the AFRH Inspector General regarding the information contained in this report.

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Maurice Swinton
 AFRH Inspector General

AFRH Office of Inspector General:

The AFRH Inspector General's position was established in FY 2004. The duties were originally performed by an IG and Deputy IG. The Deputy IG was located at the agency's Gulfport, MS facility. However, due to the damages caused by Hurricane Katrina in late 2005, the facility was closed down. The Deputy IG role was suspended at that time. The AFRH IG maintains in office at the Washington, DC campus of the AFRH. The IG reports directly to the Chief Operating Officer, who is the head of the independent federal agency. The IG has full reign of the facility and the authority to investigate any areas that where alleged improprieties of waste, fraud and abuse have been reported. In FY 2005, the AFRH established a hotline to receive complaints from employees, residents, contractors and the public of any alleged waste, fraud or abuse at the agency. Although the AFRH IG is not a fulltime position within the agency the IG performs the functions (audits, investigations, investigation inquiries) just as a fulltime IG does at the larger federal executive agencies. The AFRH IG has been certified by the Department of the Army's Inspector General to perform IG functions as outlined in Army Regulation AR-20. During FY 10, the IG worked diligently with AFRH managers and staff to implement corrective actions for the recommendations and findings found in the DoD IG Inspection Report of the Armed Forces Retirement Home issued in February 2010. The AFRH IG also is working with AFRH managers and staff to implement corrective actions issued through the 2010 accreditation audit by the Continuing Care Accreditation Commission/Commission on Accreditation of Rehabilitation Facilities (CCAC/CARF).

Management:

AFRH is organized in a contemporary business establishment with a corporate office that manages independent functioning retirement communities in different locations. This arrangement allows corporate to make strategic decisions as well as communicate with Congress and constituents. Each AFRH facility operates under a Director, who reports to the COO. Each community may make its own tactical operational decisions, manage its facilities, and respond to local resident requirements. The COO is subject to the authority, direction, and control of the Secretary of Defense, delegated to the Under Secretary of Defense (Personnel & Readiness) and the Deputy Under Secretary of Defense for Military Community & Family Policy. Plus an Advisory Board provides expertise and knowledge of all aspects of senior living.

Master Plan:

The National Defense Authorization Act for FY 2002 permitted AFRH (via DoD) to sell, lease or otherwise dispose of underutilized buildings and property. AFRH launched its real estate Master Plan which forms the basis of its risk management strategy. The focus of the Washington Master Plan is to preserve and improve the Home for the residents and the community. At the same time, the Plan aims to create an additional revenue stream for the AFRH Trust Fund, its main source of funding. After six years of planning and

design to develop 77 acres, AFRH received approval from the NCPC to move forward with the Master Plan in 2008. AFRH was poised to continue with GSA as its development partner. Although postured, AFRH never reached an agreement to proceed with the development on campus. While market conditions were deteriorating during the course of the discussions between AFRH and the preferred developer (Apr 2007 – Sep 2008), the cessation of negotiations was based on the inability of the respective organizations to reach agreement. The dispute centered on several fundamental transaction-related issues related primarily to the control structure of the transaction.

Facilities Management:

At the end of FY10, the successful "One Model" for operations was fully replicated in Gulfport. With the completion of AFRH-G construction, this second community with its own Director became operational. The agency was fiscally solvent and continued to evolve. Yet, Hurricane Katrina put many plans on hold. After that disastrous storm, AFRH-Washington became the sole provider of resident housing for AFRH, and many resources were shifted to care for those newly transferred residents from Gulfport. Since 2005 residency has declined, partly due to the strategic initiative to modernize and right-size AFRH-W. Residences that are outdated are now being replaced. And buildings that no longer meet 21st century Federal guidelines have been mothballed. AFRH's modernization coincides ideally with many residents' return to Gulfport.

Trust Fund:

AFRH is unique. All funding comes from its Trust Fund as allocated by Congress. The Fund Balance has fluctuated throughout its history, reaching dramatically low levels in the early 2000s. Through efficiencies and economies, management has raised that balance to an all time high of \$186 million in FY10. Soon, AFRH will spend a portion of these funds for the Scott Project as an investment for future generations of residents. This will thereby reduce the Trust Fund levels. However, the AFRH forecast that the balance will begin to increase again by FY15.

Audits & Inspections:

DoD Inspection - The DoD IG inspected the AFRH during the period September 14 – 18, 2009. The final results were published in February 2010 (Report No. IE-2010-02). In addition, periodic reviews of the AFRH are also conducted by the DoD Office of Inspector General in response to hotline requests and Congress. DoD IG report available online for viewing at (<http://www.dodig.mil/Inspections/IE/Reports.htm>).

CCAC/CARF Inspection – The AFRH's independent living, assisted living and long-term care units were inspected by the Continuing Care Accreditation Commission/Commission on Accreditation of Rehabilitation Facilities (CCAC/CARF) during FY10. The Commission on Accreditation of Rehabilitation Facilities (CARF) is an independent, not-for-profit accrediting body promoting quality, value, and optimal outcomes of services through a consultative accreditation process that centers on

enhancing the lives of the persons served. CARF establishes customer-focused standards to help organizations measure and improve the quality of their programs and services. The goal of these standards is to ensure that an organization capably serves its stakeholders and addresses their needs. CARF has accredited more than 3,800 organizations in the U.S., Canada and Western Europe, in the areas of adult day services, assisted living, behavioral health, employment and community services and medical rehabilitation.

- As reported in the FY09 annual IG report, CARF-CCAC accreditation represents the highest level of endorsement achievable. The accreditation, which will extend through August 2013, results from findings during the CCAC peer team on-site survey of AFRH.
- The following information, in its own words, is from the CARF-CCAC Survey Report, which calls these five AFRH areas exemplary:
 - The organization is proud of its long history of service to military personnel, which is evident in discussions with staff members throughout the organization. This results in a strong sense of family and a caring attitude in all areas.
 - The organization is commended for the availability of a significant number and variety of amenities and health resources.
 - AFRH should be commended for the fifth year in a row for not receiving a management letter. In addition, AFRH has received an unqualified opinion for five consecutive years.
 - AFRH has undergone an audit of its internal control over financial reporting, and there were no noted matters involving internal control or its operations that were considered to be significant deficiencies or material weaknesses.

As the AFRH continues integrate and operate using the CARF standards, new programs and modified procedures will undoubtedly improve the outstanding care and services currently being offered at the AFRH to its residents. The most recent CARF report is attached this report. (See attachment "1").

US Army Sanitation Inspections – The AFRH has routine inspections conducted of its dining facility by the Army's Food Sanitation Division. The inspections are announced and unannounced and are conducted by Army food sanitation specialists from the Department of the Army. (See attachment "2")

AFRH Unqualified Audit - Independent auditors have conducted in-depth reviews of the AFRH's financial statements, in accordance with government auditing standards. For the fifth year in a row, AFRH has received an unqualified opinion. Also no material

weaknesses were found. The financial statements in the ensuing pages should be read with the understanding they are for a component of the US Government, a sovereign entity. In a public-to-public partnership, the Bureau of Public Debt (BPD) Administrative Resource Center (ARC) has administered all of the Home's FY10 financial management activities including:

- > Purchasing
- > Payments
- > Accounting
- > Budget
- > Travel

The National Finance Center (NFC), in conjunction with the BPD's Oracle platform, processed the AFRH payroll and time/attendance data entry transactions.

These operations were managed under mutual agreements with the Departments of Treasury and Agriculture. The AFRH relies on information received from BPD and NFC (plus audits and reviews) to execute its management control. (See attachment "3")

AFRH Internal Investigations:

The AFRH IG continues respond within 45 days to all complaints received through the IG Hotline; in writing or in person. Additionally, some complaints that meet the definition of "waste, fraud or abuse" reported to the DoD IG Hotline are forwarded to the AFRH IG for action. The AFRH IG works closely with the agency's Security Chief to conduct any required surveillance and interviews of suspected or reported violators. The attached log outlines the IG cases that were reported telephonically, in-person or in writing during FY 2010, along with the disposition for each case. (See Attachment "4")

Note: The AFRH IG referred one case to a prosecutive authority during FY 2010.

Future Inspections:

CCAC/CARF will survey the AFRH in FY 2011.

Enclosures: CCAC/CARF Inspection Report (Attachment "1")
WRAMC Food and Sanitation Inspections (Attachments "2")
AFRH Unqualified Audit (Attachment "3")
AFRH Hotline Report (Attachment "4")